

WHITE PAPER

A PROPOSAL FOR THE INNOVATION ECONOMY

MISSION:

To stimulate the development and growth of the knowledge-based Innovation Economy in the State of Utah.

THE NEED:

Utah's economy is widely recognized as technology driven and entrepreneurial in nature and we are viewed nationally as a model of the so-called "new economy". Our achievements during the past twenty years or so have been significant and are the foundation of our current economic strength. We can be justly proud of the current health of our economy. There is, however, a growing concern that other states have learned from the experiences of states like Utah, wish to share in the new economy, and are beginning to move aggressively to strengthen themselves for the new millennium. Many states that have been traditionally strong in the technology arena are also moving up to new plateaus of growth and achievement. There is a surge of new science and technology initiatives being proposed by governors from Washington to Florida each designed to energize and nourish the new economy.

There is reason to be concerned that our local attitude is too self-satisfied and that we may be falling behind in our position as a technology leader. This is evidenced by our seeming inability to retain or establish corporate headquarters in the state (witness Theratech, Megahertz, Research Medical, WordPerfect, and others that have been acquired and their headquarters moved out of state). Technology leaders such as Iomega, Evans and Sutherland, and Novell have struggled, moved portions of their operations out of the state, or have entertained serious proposals to relocate their corporate headquarters. In addition, the rate of investment in research and development (in both companies and universities), while still growing in real dollars each year, is actually declining as a percent of total incoming dollars.

It is imperative that we begin to take coordinated and comprehensive actions to retain and advance our leadership as a technology and innovation driven economy. Many of our current state initiatives are successful but need to be strengthened and supported for future growth. Our key industry associations (UITA and ULSIA) are active but they struggle and feel the need for a state-wide coordinated strategy to assure our continued leadership. Business leaders and entrepreneurs are frustrated by the seeming lack of local capital for investment, skilled workforce shortages, and a perceived lack of political focus on comprehensive policies that support the growth of the innovation economy.

While our state government is second to none in its support of the use of technology in business and government, it has been less forceful in its support for the business activity that actually creates and develops these technologies.

This new “Innovation Economy” is driven primarily by young entrepreneurial companies, but also by established companies that commit substantial portions of their revenues to research and development, and by a vibrant university research community committed to commercialization. While we have, to some degree, all of these key elements in Utah, we need to establish a comprehensive strategy that recognizes and stimulates these engines of economic growth and maximizes their impact.

The proposal that follows has grown out of a series of meetings and discussions with business leaders, entrepreneurs, association leaders and staff at the Department of Community and Economic development. We believe that it merits the serious consideration of the Governor and of legislative leadership and that it has the potential to substantially improve and perpetuate Utah’s enviable position as a technology leader among the states.

THE PILLARS SUPPORTING THE INNOVATION ECONOMY:

The key pillars that support the Innovation Economy are both obvious and often taken for granted. They include:

1. Capital Formation
 - a. Professional venture capital
 - b. Angel networks
 - c. Commercial banking including UTFC and SBIC’s
2. Research and Development
 - a. Privately sponsored by companies
 - b. University sponsored with emphasis on applied research and commercialization such as the State Centers of Excellence program.
3. Human Capital
 - a. Skilled workforce (Custom Fit Training)
 - b. Management and executive level experience
 - c. Entrepreneurial training (Focus on repeat entrepreneurs)
 - d. Quality educational institutions
4. Infrastructure and Quality of Life
 - a. Electronic communication facilities and connectivity
 - b. Transportation (highways, airports, community facilities)
 - c. Utilities (water, gas, and electric power availability)
 - d. Environmental and quality of life issues
5. Governmental policies
 - a. De-regulation of the key driving elements of the Innovation Economy
 - b. Taxation and tax credit issues
 - c. Incentives for corporate growth and relocation
 - d. Linkages between rural and urban development strategies
 - e. Economic development strategies focused on technology development

THE APPROACH:

Those involved in the on-going discussion noted would propose the following

1. That a blue ribbon task group be formed consisting of private sector and governmental leaders chartered to review the status of the key pillars noted, to identify the issues and concerns, and to propose and promote appropriate initiatives and solutions.
2. That the task group be empowered to engage consultants of national stature, review completed studies (such as the Report on State Sponsored Venture Funds recently submitted to the National Governors Association), invite input from key business leaders, successful entrepreneurs, venture capitalists, angels, private and academic researchers.
3. That the task group review all of the science and technology initiatives being proposed by various state governors, first to appreciate the significant competitive environment in which the state finds itself, and second to learn from the work being done in other economic regions. Attached are brief statements of many of the state initiatives currently being proposed.
4. That the task group be given early and full public recognition (as with Envision Utah) to assure citizen involvement, broad based input, and a growing expectation of ultimate impact.
5. That the Governor be encouraged to adopt the “Innovation Economy” and the key elements of this proposal as a thematic definition for the next four years of his administration.